BELLSOUTH TELECOMMUNICATIONS, INC.

REBUTTAL TESTIMONY OF WILEY GERALD (JERRY) LATHAM, JR.

BEFORE THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2001-65-C

JUNE 11, 2001

Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A. My name is Wiley Gerald (Jerry) Latham, Jr. My business address is 3535 Colonnade Parkway, Birmingham, Alabama. I am employed by BellSouth Telecommunications, Inc., and currently am BellSouth's Product Manager for Unbundled Loops. I have been employed by BellSouth for over 15 years. I am responsible for developing new products and services that meet the requirements of the FCC's 319 rules and various PSC mandates. I also respond to negotiation requests from Competitive Local Exchange Carriers ("CLECs") for additional loop related services.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to rebut specific statements in the direct testimonies of witnesses Mr. Starkey and Mr. Fassett on behalf of New South Communications, NuVox Communications, Broadslate Networks, ITC DeltaCom Communications and KMC Telecom (referred to collectively as the "The Competitive Coalition") regarding unbundled xDSL loops and loop

conditioning products offered by BellSouth.

Q. MR. FASSETT IMPLIES ON PAGE 5 (LINES 16-19) OF HIS TESTIMONY, THAT VOICE GRADE LOOPS AND XDSL LOOPS ARE THE SAME. IS THIS ACCURATE?

A. No. A voice grade loop is the loop portion of Plain Old Telephone Service ("POTS"). Accordingly, it may be provisioned on practically any type of facility – fiber, digital loop carrier ("DLC"), loaded copper, non-loaded copper, bridged-tapped copper, or any mixture of all of these. This flexibility is what helps to make voice grade loops so inexpensive relative to other loops. By contrast, DSL services require loops that meet more stringent technical requirements. True xDSL services that are provisioned using unbundled loops must be provided on non-loaded copper pairs that are generally less than 18,000 feet in length. Therefore, xDSL loops are a subset of voice loops. In other words, all xDSL loops can provide voice service, but not all voice grade loops can provide xDSL service.

A CLEC is free to order a voice grade loop (an SL1) and attempt to provision xDSL on that loop. However, the xDSL service may or may not work, depending upon the type of loop facilities used to provide the voice grade loop. If the voice grade loop is provided using a DLC system, or with loaded copper pairs, or if the voice grade loop has more bridged tap than the CLEC's DSL equipment allows, then the xDSL service may not function properly. Of course, the CLEC always has the option to request the removal of load coils

or excessive bridged tap, if the loop is within the distance limitations for the xDSL technology being utilized. However, as part of continual upgrades to its network, BellSouth may move a voice grade loop that is provisioned on copper today to a DLC system tomorrow. This process is known as a Line and Station Transfer (or LST), and is commonly used by BellSouth to accommodate multiple CLECs and multiple services on the BellSouth network. Thus, there is the chance that a CLEC using a voice grade loop to provide DSL service may have its service interrupted. This chance does not exist; however, when a CLEC orders one of BellSouth's xDSL capable loops: Unbundled Copper Loop (UCL)-Short, Unbundled Copper Loop (UCL)-Long, ADSL-capable loops, HDSL-capable loops, ISDN-capable loops, Universal Digital Channel (UDC) loops and Unbundled Copper Loop-Non Designed (UCL-ND) which are never "rolled" onto a DLC system.

In short, a CLEC may use voice grade loops to provide xDSL service (although not recommended by BellSouth), but there are very real differences between voice grade loops and xDSL loops.

Q. ON PAGE 5 (LINES 6-9) OF MR. STARKEY'S TESTIMONY, HE INDICATES THAT THE CLEC MUST "TAKE THE LOOP AS IT IS" WHEN IT IS OFFERED AS A UCL-ND. IS THAT TRUE?

A. No. Mr. Starkey's statements regarding "taking the loop as it is" are completely incorrect. When a CLEC orders and BellSouth

provisions a designed xDSL-capable loop, BellSouth undertakes those steps necessary to ensure that the loop has connectivity from the MDF to the NID before the loop is delivered to the CLEC. This additional assurance is one of the benefits that a CLEC receives via the design process. In contrast, when a CLEC orders a UCL-ND, by definition no design work takes place. BellSouth provisions that UCL-ND in much the same manner as its own retail voice service offering. BellSouth locates an appropriate loop that its systems believe to be connected and working and provisions that loop to the requesting CLEC. Importantly, BellSouth does not dispatch a technician or do any additional testing to ensure that the loop has connectivity. The fact that this additional work is not performed is one of the main, if not the main reason, for why the UCL-ND is so much less expensive than any of the designed loop offerings. If the CLEC discovers that there is in fact a problem with the loop, BellSouth will perform whatever work is necessary to repair that loop, or provision another loop, at no additional charge to the CLEC.

Q. ON PAGE 7 (LINES 10-11) OF MR. STARKEY'S TESTIMONY, HE CONTENDS THAT CUSTOMERS USING UCL-LONG WILL HAVE FEW, IF ANY, COMPETITIVE XDSL ALTERNATIVES. DO YOU AGREE?

A. No. The ironic point here is that BellSouth's Unbundled Copper Loop (UCL) offerings, the so-called UCL-Short and UCL-Long loops, are consistent with requests by Mr. Starkey's client (as well as requirements of the FCC). BellSouth previously advised the CLECs that UCLs should be

limited to loops of a length within which it is technically feasible to provide xDSL services. However, these same CLECs have consistently insisted on being able to obtain an unbundled copper loop that was unlimited in length, and BellSouth complied with this request by offering the UCL-Long. In addition, industry standards call for xDSL loops generally to be less than 18kft. These standards also call for copper loops beyond 18kft to have load coils. Therefore, BellSouth's recommended (and already implemented) approach is the most reasonable.

BellSouth witness Daonne Caldwell describes the impact of loop length on the recurring costs. Accordingly, BellSouth proposes that those CLECs that want to risk using longer loops should pay for the extra cost of those longer loops, and those CLECs that want only the shorter loops should pay a corresponding lower rate. This approach is consistent with Mr. Starkey's statement on page 6 (lines 19-20), "While I would not disagree that it is important to directly identify and measure differences in costs between long loops and short loops" the costs should be borne by the cost causer.

Q. MR. STARKEY RECOMMENDS ON PAGE 7 (LINES 15-18) THAT BELLSOUTH'S UCL-LONG SHOULD ESTABLISH DIFFERENT RATES BASED ON DISTANCE BANDS BASED ON 6000 FOOT DISTANCE BANDS. DO YOU AGREE?

A. No. First, this approach is radically different from the CLECs' preferred approach (i.e., one rate for all UCLs regardless of length) and BellSouth's

preferred approach (i.e., one rate for UCLs up to 18kft, and one rate for UCLs over 18kft). Mr. Starkey's approach would have the effect of introducing more loop categories within the UCL-Long product. This would create a situation where both the CLECs and BellSouth will have to spend more time and money to segregate these offerings and provide auditing controls to ensure accurate processing, provisioning, and billing. No CLEC has requested the approach Mr. Starkey recommends. These standards also call for copper loops beyond 18kft to have load coils. Therefore, BellSouth's recommended (and already implemented) approach is the most reasonable.

Q. ON PAGE 9 (LINES 10-11) OF HIS TESTIMONY, MR. STARKEY RECOMMENDS THAT UCL DESIGNED SHORT AND LONG SHOULD ALSO BE IMPLEMENTED FOR UCL NON-DESIGNED. IS THIS APPROPRIATE?

A. No. The UCL-Short and UCL-Long are Designed loops. The automatic assignment algorithms used by BellSouth's systems to assign a non-designed loop cannot distinguish loops by length or bridged tap limitations; therefore, Mr. Starkey's rate structure is not valid. On the other hand, the UCL-Short and UCL-Long loops require a design to determine if they qualify as an xDSL compatible unbundled loop. Thus, specific loop length is known.

In an effort to reduce costs, CLECs requested, and BellSouth agreed to

provide, a non-designed xDSL loop. Indeed, this new offering formed the cornerstone of a settlement agreement reached in Georgia between BellSouth and Covad that applies region wide. Nevertheless, the CLECs continue to demand further modification of BellSouth's offerings. No good deed goes unpunished. However, by eliminating the design process, it is not possible for BellSouth to conduct a detailed loop analysis of each loop to determine whether the loop meets the requisite technical parameters. Using criteria contained in its existing automatic assignment algorithms, BellSouth developed the technical parameters of the UCL-ND. The criteria used were Resistance Code (the RC must be 13 or less, which ensures the resistance is 1300 ohms or less), metallic, and non-loaded. Because BellSouth's automatic assignment systems currently have no way of telling how long a loop is, it was not possible for BellSouth to offer a UCL-ND in a short and long form.

With the products offered, the CLEC has the opportunity to order specific loop types that meet its needs. UCL-ND is the latest one to offer additional flexibility to the CLECs. The cost of the UCL-ND is reduced by expense associated with the design process and provision of a test point. No specific loop length is guaranteed which allows maximum flexibility to obtain a non-designed copper loop. These low costs require that the CLEC do its own pre-qualifications to make sure the loop will meet its needs. Information is readily available through the mechanized and manual Loop Make Up process

for the CLEC to determine if the loop is suitable for its needs.

Q. MR. STARKEY CLAIMS ON PAGE 10 (LINES 9-16) THAT BELLSOUTH SHOULD NOT BE ALLOWED TO RECOVER LOOP CONDITIONING COSTS. PLEASE RESPOND.

A. BellSouth has proposed rates for loop conditioning that are designed to recover the costs that BellSouth will incur when it performs loop conditioning, such as the removal of load coils or bridged tap, on behalf of a requesting carrier. Mr. Starkey concurs on page 12 (line 6) that BellSouth may indeed incur real expenses when removing load coils and bridged tap. Therefore, BellSouth has proposed three nonrecurring rates for loop conditioning. These include ULM Load Coil/Equipment Removal – Short; ULM Load Coil/Equipment Removal – Long; and ULM – Bridged Tap Removal.

Load coil removal was divided into two categories to differentiate the anticipated work activity for loops less than 18kft (designated as Short) and loops over 18kft (designated as Long). With respect to loops over 18kft, BellSouth assumes it will remove load coils and other equipment from two loops unless more are ordered by the requesting carrier. By contrast, for loops under 18kft, BellSouth assumes on average that load coils will be removed from ten pairs at one time. In addition, the average number of load coils is dependent upon the length of the particular loop.

The ULM – Additive rate is used to recover part of the cost of removing load coils on copper loops of less than 18kft. Since BellSouth removes load coils from such loops for 10 pair at one time on average, only 1/10 of the cost of load coil removal is reflected in the rate for ULM Load Coil/Equipment Removal – Short. Since the cost-causer (i.e., the requesting CLEC) is only paying 10% of the conditioning costs, the decision must be made as to how to recover the remaining 90%. BellSouth's additive approach is a reasonable method of recovering a portion of the remaining 90% from CLECs and BellSouth. These are nonrecurring costs, and BellSouth's method of recovery comports with FCC rule 51.319 (a)(3)(iii) and is not in violation of the FCC's rules as stated by Mr. Starkey on page 10 (line 12).

Q. DO YOU AGREE WITH THE STATEMENTS MADE BY MR. STARKEY ON PAGE 11 (LINES 34-36) AND PAGE 12 (LINES 1-2) RELATIVE TO THE ASSUMPTION THAT BELLSOUTH HAS NOT MIGRATED ITS NETWORK TO MEET WITH ITS OWN INTERNAL ENGINEERING GUIDELINES?

A. No. To understand why BellSouth offers a variety of xDSL loops, one need only review the history of xDSL-capable loops. BellSouth has developed this variety of xDSL loop types in direct response to CLEC requests as well as the evolving scope of its obligations under applicable FCC rules and regulations. The benefit to the CLECs of this historical growth of offerings is that CLECs have a variety of loop types from which they can choose to best meet their technical needs in providing telecommunications services to its customers for

the least cost. The fact that BellSouth offers different loop types, however, does not in any way restrict a CLEC's ability to offer any particular type of xDSL service it may desire over any loop in BellSouth's network. Indeed, the only restrictions that limit a CLEC's choice of DSL technologies are those established by industry standards bodies to ensure the integrity of voice service.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

STATE OF SOUTH CAROLINA)
) CERTIFICATE OF SERVICE
COUNTY OF RICHLAND)

The undersigned, Susan Davis Gibson, hereby certifies that she is employed by the Legal Department for BellSouth Telecommunications, Inc. ("BellSouth") and that she has caused the Rebuttal Testimony of Wiley G. Latham to be served by placing such in the care and custody of the United States Postal Service, with first-class postage affixed thereto and addressed to the following this June 11, 2001:

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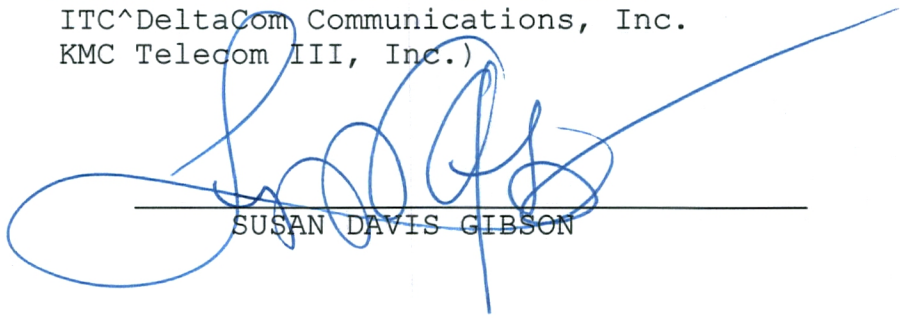

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